



FISCAL MEMORANDUM

SB 323 - HB 1544

March 10, 2022

SUMMARY OF BILL AS AMENDED (013302): Authorizes private, non-commercial vehicle owners and lessees to renew their registration plates for a 24-month period rather than the current 12-month period, with a fee to offset the revenue otherwise generated by that of a 12-month registration, beginning January 1, 2023. Requires the two-year plate to be issued upon payment of the registration fee and a fee equal to the cost of designing and manufacturing the plates.

Authorizes the Department of Revenue (DOR) to establish a system of registration renewals at alternate intervals that allows for a uniform distribution of the registration workload.

Earmarks, beginning FY23-24, a sum from the county general funds to hold harmless the loss of fee revenue to county clerks resulting from the increase in the duration of the registration period, if requested by the county.

FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Revenue – \$36,095,600/FY22-23/Highway Fund
\$1,897,900/FY22-23/General Fund**

Increase Local Revenue - \$35,365,200/FY22-23

Assumptions for the bill as amended:

- For the purposes of this analysis, it is assumed that all fees, including county fees and taxes, will double with the issuance of a 24-month registration plate to offset the revenue otherwise generated by that of a 12-month registration.
- Pursuant to Tenn. Code Ann. § 55-50-102(12)(A), a commercial motor vehicle is used in commerce to transport passengers or property if the motor vehicle:
 - Has a gross vehicle weight rating or gross combination weight rating of 26,001 or more pounds;
 - Is designed to transport more than 15 passengers, including the driver; or
 - Is of any size and is used in the transportation of hazardous materials.
- Pursuant to Tenn. Code Ann. § 55-4-111(a)(1), motor vehicle registration fees vary based on the vehicle registered.
- According to information provided by DOR, the two-year average of all registration fee revenue collected in FY19-20 and FY20-21 was \$240,218,606.

- According to the Tennessee Trucking Association (TTA), the trucking industry pays 37 percent of all taxes owed by Tennessee motorists.
- It is assumed that, in the absence of this legislation, annual registration fee revenue would total \$241,000,000 into perpetuity.
- It is further estimated that \$151,830,000 [$\$241,000,000 \times (100\% - 37\%)$] is paid by private vehicle owners in annual registration fee revenue.
- This legislation applies to plates issued or renewed on or after January 1, 2023.
- In the second half of FY22-23, it is estimated that approximately 50 percent of registrants will elect to renew on a two-year cycle and 50 percent of registrants will elect the current, one-year cycle.
- The half year impact in FY22-23 and 50 percent of people selecting the two-year option will result in a 25 percent increase in revenue ($50\% \times 50\%$) from this portion of the population paying double the fees. There will be an increase in state revenue in FY22-23 of \$37,957,500 ($\$151,830,000 \times 25\%$) and a corresponding decrease in state revenue of \$37,957,500 in FY23-24 when these renewals would have otherwise been paid.
- In the first half of FY23-24, approximately 50 percent of registrants will elect to renew on a two-year cycle and 50 percent of registrants will elect the current, one-year cycle.
- The half year impact and 50 percent of people selecting the two-year option will result in a 25 percent increase in revenue ($50\% \times 50\%$). There will be an increase in state revenue in FY23-24 of \$37,957,500 ($\$151,830,000 \times 25\%$).
- The net impact in FY23-24 is estimated to be not significant ($\$37,957,500 - \$37,957,500$).
- In FY24-25 and subsequent years all impacts will offset; therefore, any net impact is estimated to be not significant.
- Approximately 95 percent of motor vehicle registration fees are allocated to the Highway Fund; the remaining 5 percent is allocated to the General Fund.
- The increase in revenue to the Highway Fund, in FY22-23, is estimated to be \$36,095,625 ($\$37,957,500 \times 95\%$); the increase in revenue to the General Fund, in FY21-22, is estimated to be \$1,897,875 ($\$37,957,500 \times 5\%$).
- Pursuant to Tenn. Code Ann. § 5-8-102, each county is authorized to levy a privilege tax, commonly known as the wheel tax.
- Fifty-nine out of 95 counties in Tennessee impose a motor vehicle privilege tax. The average tax rate among the 59 counties that impose the tax is estimated to be \$47.00. It is assumed that local motor vehicle privilege taxes will double for 24-month registrations and that 62.1 percent ($59 / 95$) of total vehicles registered in the state are subject to the wheel tax.
- There are at least 4,846,700 vehicles registered in Tennessee that could be impacted by this legislation.
- The increase in local revenue in FY22-23 is estimated to be \$35,365,158 ($4,846,700 \times 25\% \times 62.1\% \times \47).
- Vehicle emissions testing in most Tennessee counties with such a program ended on January 14, 2022 upon Environmental Protection Agency's approval of a revision to the state's air quality plan. In addition, Metro Nashville's Council recently voted to cease operations of its emissions testing program, effective February 5, 2022. Therefore, no

vehicle emissions testing programs will be in operations in FY22-23 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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